

Message Text

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ORIGIN TRSE-00

INFO OCT-01 AF-10 ARA-10 EUR-12 EA-10 NEA-10 ISO-00
EB-08 COME-00 MMO-01 SIG-01 AID-05 CIAE-00 FRB-03
INR-10 NSAE-00 USIA-06 XMB-02 OPIC-03 SP-02
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DRAFTED BY OASIA:IDB:W.THOMSON:CMR
APPROVED BY EB/IFD:CFMEISSNER
OASIA:IDB: C.I.BRADFORD,JR.
EB/IFD/ODF:TPARKER
I: C. F.BERGSTEN

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R 180931Z FEB 78
FM SECSTATE WASHDC
TO AMCONSUL AMSTERDAM
AMEMBASSY ASUNCION
AMEMBASSY BANGKOK
AMEMBASSY BOGOTA
AMEMBASSY BONN
AMEMBASSY BRASILIA
AMEMBASSY BRUSSELS
AMEMBASSY BUENOS AIRES
AMEMBASSY CANBERRA
AMEMBASSY CARACAS
AMEMBASSY COPENHAGEN
AMEMBASSY LIMA
AMEMBASSY LISBON
AMEMBASSY LONDON
AMEMBASSY ANTANANARIVO
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AMEMBASSY MADRID
AMEMBASSY MEXICO
AMEMBASSY MONTEVIDEO
AMEMBASSY NEW DELHI
AMEMBASSY OSLO
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY QUITO
AMEMBASSY REYKJAVIK

AMEMBASSY ROME
AMEMBASSY SANTIAGO
AMEMBASSY STOCKHOLM
AMEMBASSY TOKYO
AMEMBASSY VIENNA
AMEMBASSY WELLINGTON

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E.O. 11652:N/A

TAGS: EAID, EFIN

SUBJECT: PROPOSED INCREASE IN IMF/IBRD STAFF SALARIES

1. EMBASSY REQUESTED TO APPROACH HOST GOVERNMENT OFFICIALS RESPONSIBLE FOR INTERNATIONAL MONETARY FUND (IMF) AND WORLD BANK (IBRD) AFFAIRS AT THE HIGHEST LEVEL, INFORMING THEM OF SECRETARY BLUMENTHAL'S STRONG OPPOSITION TO ANY PROPOSAL TO INCREASE STAFF SALARIES AT THE IMF/IBRD AT THIS TIME. EMPHASIZE THE IMPORTANCE THIS ISSUE HAS IN CONGRESS WHERE THE FY 79 REQUEST FOR THE INTERNATIONAL FINANCIAL INSTITUTIONS (IFI) IS DOLLARS 3,505 MILLION UP FROM THE DOLLARS LIMITED OFFICIAL USE

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1,925 MILLION APPROPRIATED IN FY 78.

2. PRESIDENT MCNAMARA (IBRD) AND MANAGING DIRECTOR WITTEVEEN (IMF) MAY PROPOSE COST OF LIVING INCREASES FOR THEIR STAFFS EFFECTIVE MARCH 1, 1978.

3. ANY INCREASE, AT THIS TIME, IS EXTREMELY BAD FOR THE FOLLOWING REASONS:

-- A JOINT COMMITTEE OF EXECUTIVE DIRECTORS OF THE IMF/IBRD, INCLUDING INDEPENDENT AND PRESTIGIOUS OUTSIDE EXPERTS, IS COMPLETING A FULL-SCALE ANALYSIS OF THE PRINCIPLES THAT SHOULD GOVERN THE DETERMINATION OF IMF/IBRD SALARIES. THIS

GROUP IS DUE TO PRESENT ITS VIEWS TO THE FULL BOARDS OF THE IMF/IBRD IN JUNE. A FULL COL INCREASE AT THIS TIME BOTH PREJUDGES THEIR RECOMMENDATIONS, AND TAKES THE PRESSURE OFF THE JOINT COMMITTEE TO COMPLETE ITS WORK BY JUNE.

-- A STUDY BY INDEPENDENT OUTSIDE MANAGEMENT CONSULTANTS ESTIMATES THAT NON-U.S. STAFF MEMBERS ARE OVER-PAID OVER A MARKET BASKET OF THE U.S. PRIVATE SECTOR BY ABOUT 10 PERCENT, AND U.S. STAFF MEMBERS BY A LARGER PERCENTAGE,

DUE TO THE METHOD OF CALCULATING REIMBURSEMENT FOR U.S. INCOME TAXES. THE PROPOSED INCREASE WOULD INCREASE THE OVER-PAYMENTS.

-- OUR FY 79 REQUEST FOR THE IFIS IS PRESENTLY BEFORE CONGRESS. UNLESS SUBSTANTIAL PROGRESS IS MADE ON THE SALARY ISSUE THE POSSIBILITY OF RECEIVING THE REQUESTED DOLLARS 2,256 MILLION FOR THE WORLD BANK GROUP MUST BE CONSIDERED DOUBTFUL. AN INCREASE AT THIS TIME WOULD BE SEEN AS A CAVALIER AFFRONT TO CONGRESSIONAL CONCERNS, AND MAKE FURTHER CONSIDERATION OF THE MASSIVE WORLD BANK GENERAL CAPITAL INCREASE FRUITLESS AT THIS TIME.
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4. WE BELIEVE THAT THE FOLLOWING IS A REASONABLE COMMITTEE PROMISE AFTER THE FINAL REPORT OF THE JOINT COMMITTEE IS PUBLISHED.

-- ASSUMING IMF/IBRD SALARIES ARE TOO LARGE, AT PRESENT, THEY SHOULD BE BROUGHT IN LINE OVER A 3 YEAR PERIOD BY A MAXIMUM ANNUAL ADJUSTMENT OF 50 PERCENT OF THE COL. THIS WAY NO ONE WILL TAKE AN ACTUAL CUT IN SALARY -- IN FACT WITH MERIT INCREASES AND PROMOTIONS THE REAL INCOMES OF MOST STAFF WILL ACTUALLY INCREASE OVER THE 3-YEAR PERIOD.

-- IF THE JOINT COMMITTEE WERE TO DETERMINE A LARGER INCREASE IS JUSTIFIED THIS WOULD HAVE TO BE CONSIDERED AT THE TIME THEY DELIVER THEIR FINAL REPORT.

-- WE ARE PROPOSING THAT THE TAX-REIMBURSEMENT SYSTEM FOR U.S. NATIONALS ON THE IMF/IBRD STAFF BE CHANGED SO THAT THE BURDEN OF ADJUSTMENT TO ANY NEW SYSTEM WILL BE MORE SEVERE ON OUR NATIONALS THAN ON YOURS.

-- A REVIEW OF EXPATRIATE BENEFITS (SUCH AS HOME LEAVE, EDUCATIONAL ALLOWANCES, ETC.) WILL BE CONDUCTED TO MAKE SURE THEY ARE APPROPRIATE AND COMPETITIVE.

5. THE SECRETARY THEREFORE STRONGLY URGES THAT THE HOST COUNTRY INFORM ITS EXECUTIVE DIRECTOR TO VOTE AGAINST A COL INCREASE WHEN THE ISSUE IS BROUGHT TO THE EXECUTIVE BOARD -- AND AWAIT THE REPORT OF THE JOINT COMMITTEE BEFORE DECIDING ON ANY STAFF ADJUSTMENT FOR 1978. VANCE

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DRAFTED BY: EB/IFD/ODF: FRANK V NASH

APPROVED BY: ALEXANDER F WATSON

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FM SECSTATE WASHDC

TO AMEMBASSY THE HAGUE PRIORITY

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FOLLOWING REPEAT STATE 043945 SENT AMSTERDAM ASUNCION BANGKOK
BOGOTA BONN BRASILIA BRUSSELS BUENOS AIRES CANBERRA CARACAS
COPENHAGEN LIMA LISBON LONDON ANTANANARIVO MADRID MEXICO MONTEVIDEO
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QUOTE LIMITED OFFICIAL USE STATE 043945

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